

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

200 W. Washington, Suite 301
Indianapolis, IN 46204
(317) 233-0696
<http://www.in.gov/legislative>

FISCAL IMPACT STATEMENT

LS 6508

BILL NUMBER: HB 1373

NOTE PREPARED: Dec 20, 2002

BILL AMENDED:

SUBJECT: TRF Military Service Credit.

FIRST AUTHOR: Rep. GiaQuinta

BILL STATUS: As Introduced

FIRST SPONSOR:

FUNDS AFFECTED: X GENERAL
DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that a member of the Teachers' Retirement Fund (TRF) who serves on active duty in the United States armed services is entitled to service credit for the time served on active duty up to a maximum of two years, to the extent that service credit is not granted for that time under existing TRF service credit provisions. It requires a member to have at least 10 years of creditable service in TRF before the member may claim the military service credit.

Effective Date: July 1, 2003.

Summary of Net State and Net Local Impacts:

	<u>Closed Plan</u>	<u>New Plan</u>
Increase in Unfunded Accrued Liabilities:		
Retirees	\$59.3M	\$5.9M
Actives	<u>\$31.4M</u>	<u>\$0.1M</u>
Total	\$90.7M	\$6.0M
Increase amortized over 37 years as a % of 2002 valuation payroll	0.13%	0.02%
 Increase in State Payout current retirees:		
First Year	\$3.2M	Not valued
Second Year	\$3.1M	Not valued

Explanation of State Expenditures: See Summary Table, above.

Background Information: In 1998, the TRF surveyed 30,000 TRF retirees, with 4,000 responding. The survey for active members of the TRF was sent to 84,000 active teachers, with 400 respondents. For this proposal, the TRF actuaries updated the 1998 information based on data provided by the TRF for the most recent actuarial valuation.

The specific impact will depend upon the actual number of teachers who meet the requirements of this proposal. The fund affected for the Closed Plan is the state General Fund. The New Plan is funded by a level percentage of covered payroll. Currently this percentage is 9%.

Explanation of State Revenues:

Explanation of Local Expenditures: See Summary Table, above. The New Plan is funded by a level percentage of covered payroll contributed by local school corporations. Currently this percentage is 9%.

Explanation of Local Revenues:

State Agencies Affected: Teachers' Retirement Fund.

Local Agencies Affected: School Corporations.

Information Sources: Mark Johnson of Gabriel Roeder Smith & Co., actuaries for TRF, 1-800-521-0498.

Fiscal Analyst: James Sperlik, 317-232-9866.

DEFINITIONS:

Unfunded Actuarial Liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its actuarial liability as that time over the value of its cash and investments.